

KERN RIVER GAS TRANSMISSION COMPANY

California Natural Gas Stakeholders
Working Group Meeting

Sacramento, California
September 6, 2007

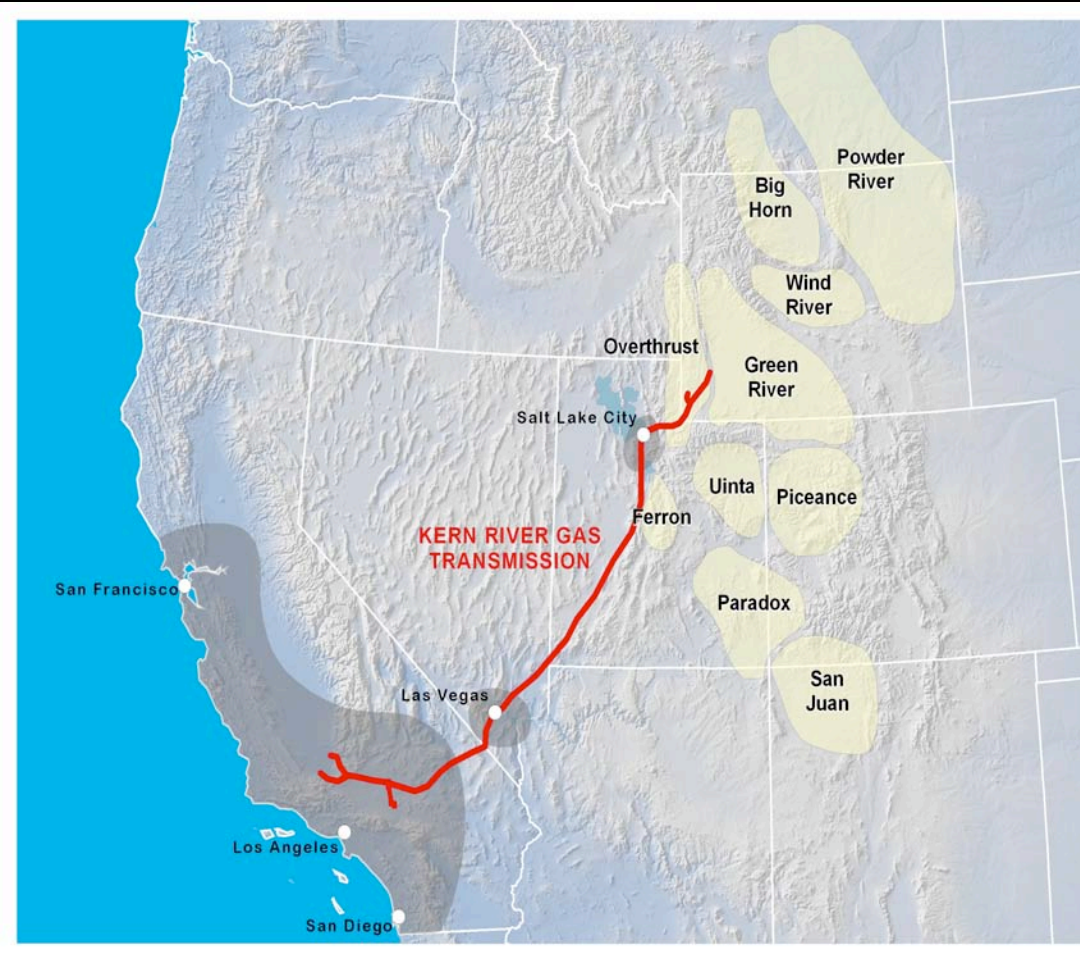
Kevin Billings
Senior Business Development Representative



KERN RIVER OVERVIEW



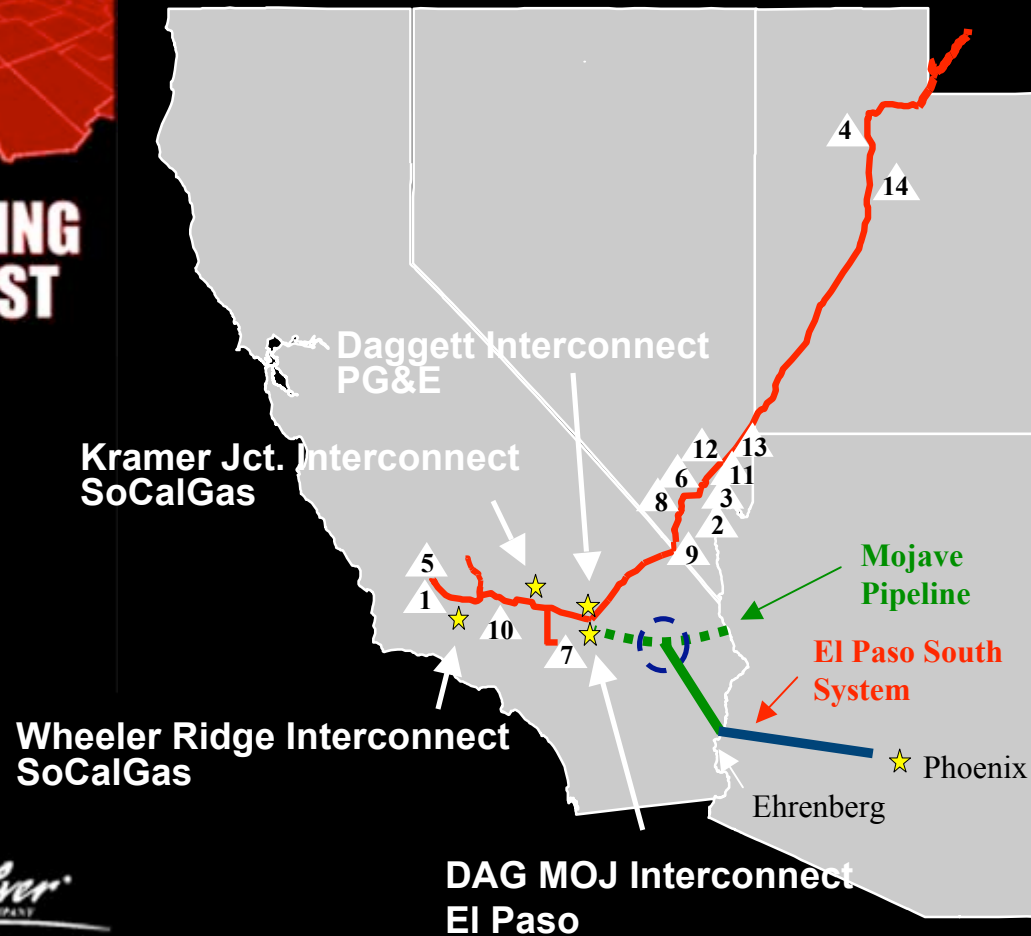
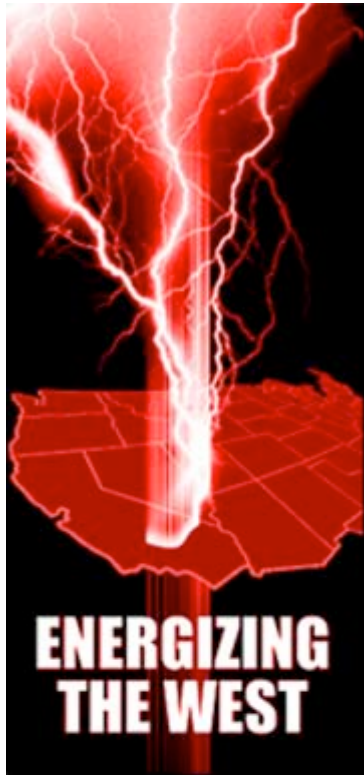
**ENERGIZING
THE WEST**



- **Based in Salt Lake City**
- **1,680 miles**
- **1.76 Bcf/d design capacity**
- **Provides access to Rocky Mountain basins**
- **Markets in Utah, Nevada and California**

KEY MARKETS

Power Plants and Interconnects



POWER PLANTS

	PROJECT	MW
1	Sunrise (Edison Mission)	585
2	El Dorado (Semptra)	480
3	L.V. Cogen (Black Hills)	280
4	West Valley (PacifiCorp)	170
5	La Paloma (Complete Energy)	1,125
6	Apex (LS Power)	550
7	High Desert (Tenaska)	830
8	Silverhawk (Nevada Power)	570
9	Bighorn (Reliant)	570
10	Pastoria (Calpine)	750
11	Chuck Lenzie (Nevada Power)	1,200
12	Harry Allen (Nevada Power)	160
13	NCA 1 & 2 (NV Cogen Ass.)	170
14	Lake Side (PacifiCorp)	535
TOTAL MW		7,975

KEY MARKETS cont.

Power Generation

- Since 2001, over 8,400 MW of new gas-fired power plants have been constructed in Kern River's service area (CA, NV, UT); nearly 8,000 MW directly connected to Kern River

Peak load requirement of 1.55 Bcf/d

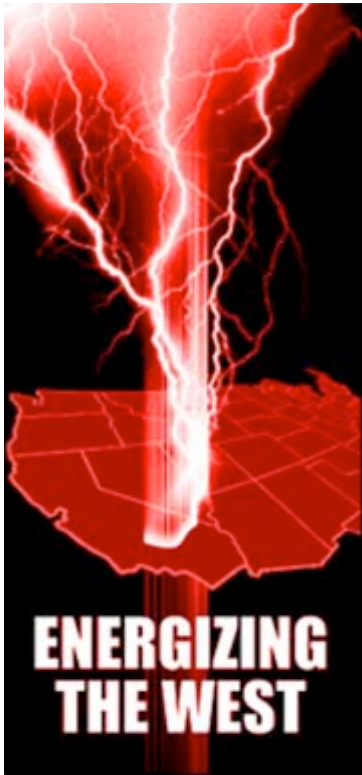
- Firm service to another 18,000 MW behind local distribution companies

Peak load requirement of 3.4 Bcf/d

Local Distribution Companies

- Kern River serves the Southern California Gas, Pacific Gas & Electric, and Southwest Gas natural gas utilities

Daily average requirement of 5.16 Bcf



KEY MARKETS cont.

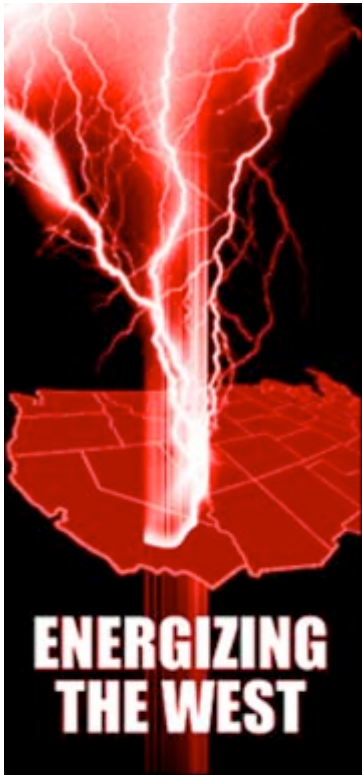
Industrial

- Kern River serves the enhanced oil recovery/cogeneration markets

Daily average requirement of .480 Bcf

Other Markets

- Kern River serves the Phoenix market via El Paso's Line 1903 and Cadiz Crossover



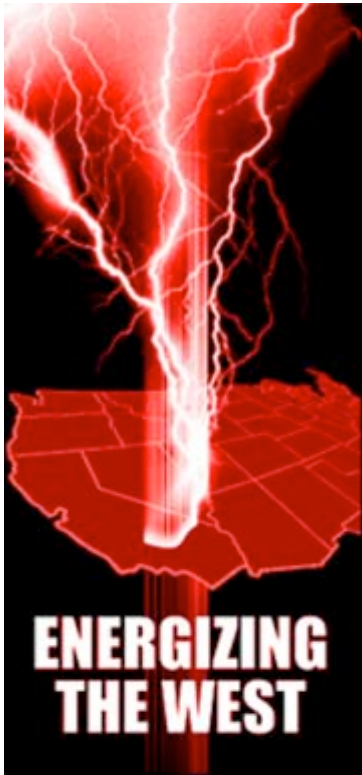
KEY MARKETS cont.

California Region

- California consumes approximately 6 Bcf/d of natural gas
- Kern River provides 26 percent of the average daily demand to California, or 1.5 Bcf/d

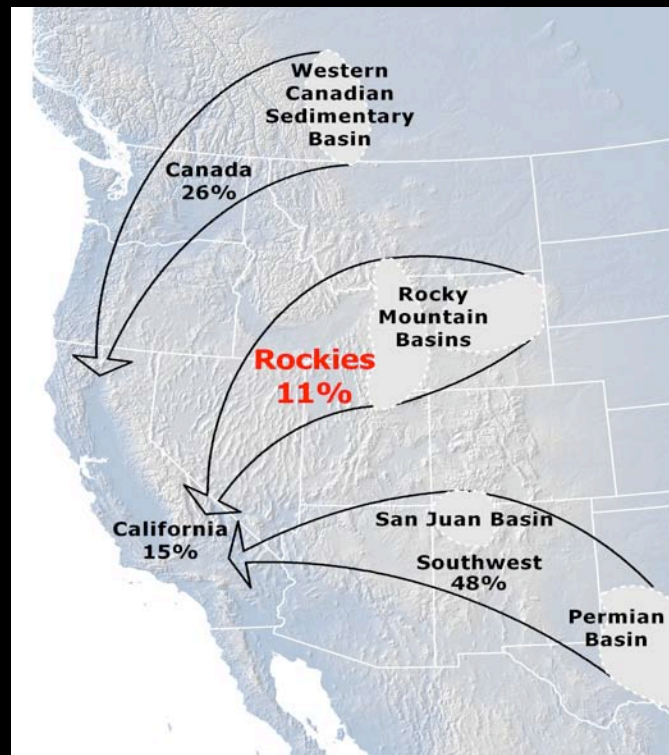
Southern Nevada Region

- Southern Nevada consumes nearly 550,000 Dth/d of natural gas
- Kern River provides over 85 percent of average daily demand to southern Nevada, or 460,000 Dth/d

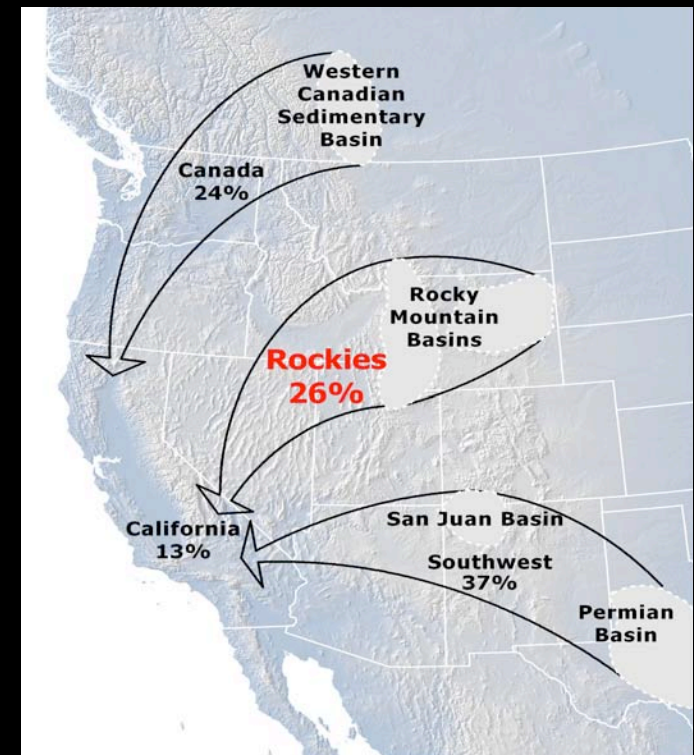


INCREASING MARKET SHARE IN CALIFORNIA

2001

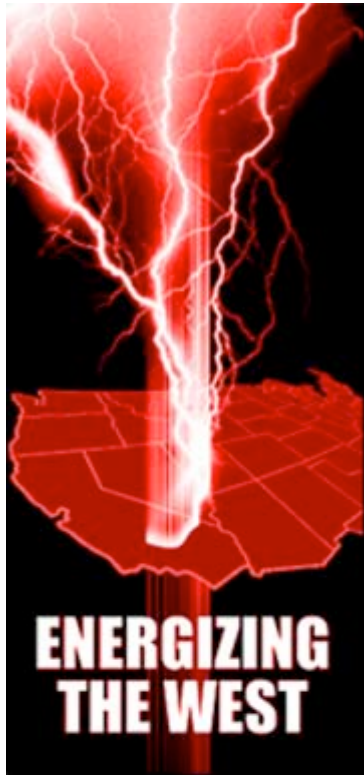


2006

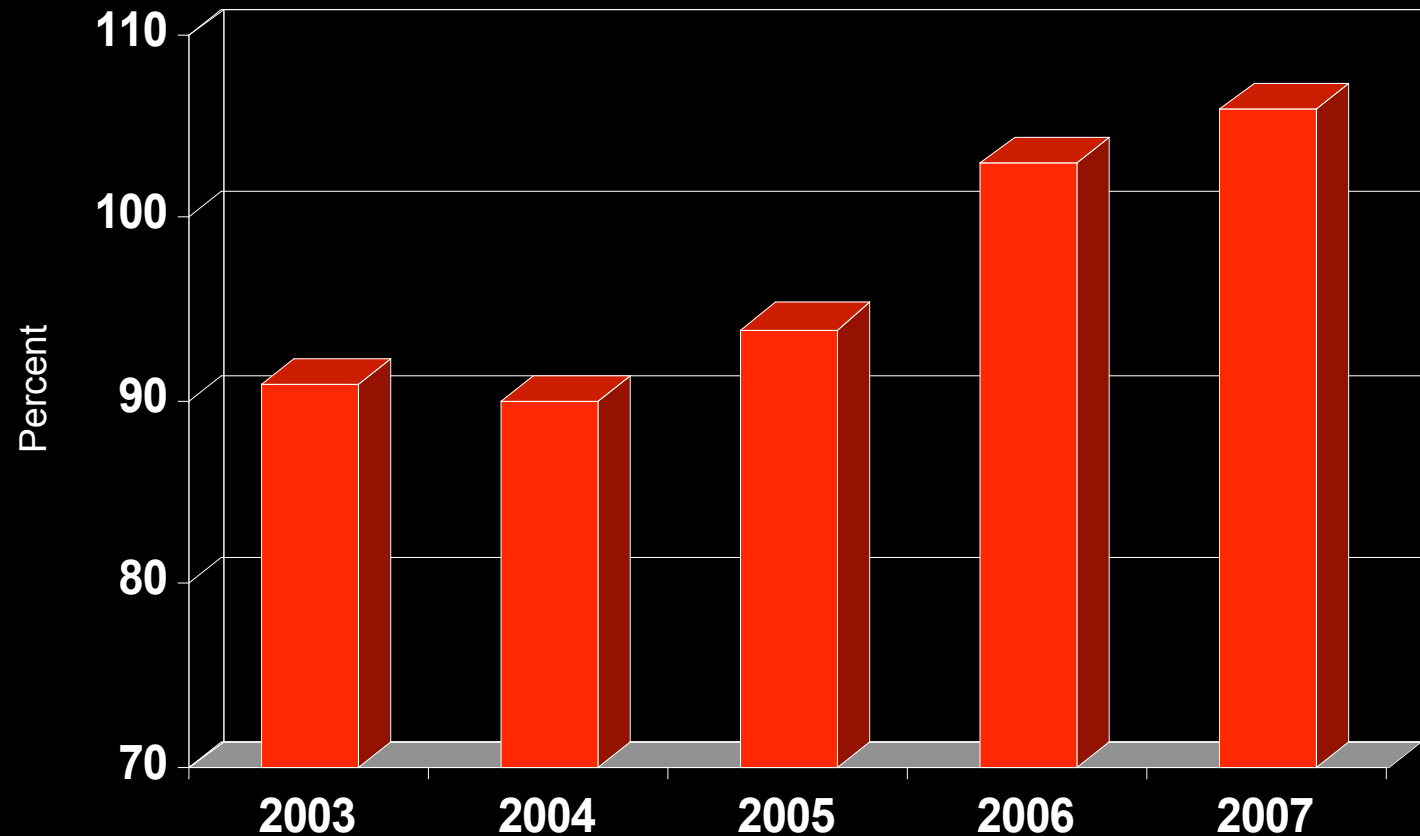


- Kern River is the largest transporter of natural gas to California, providing 26% of the average daily demand (Source: 2006 California Gas Report and California Energy Commission)
- Kern River ranked #1 in growth over last five years of 28 major interstate pipelines (Source: Fosters Financial Reports)

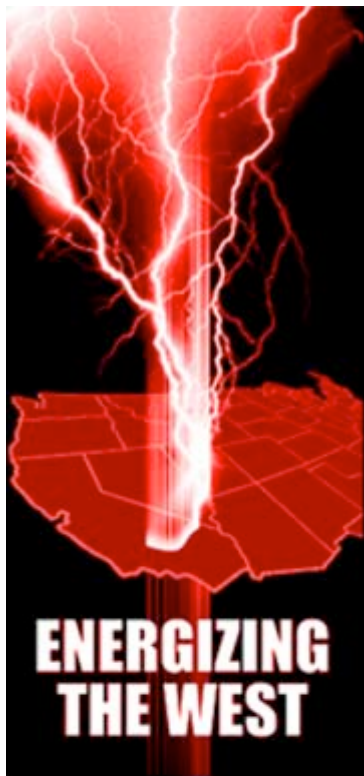
SYSTEM UTILIZATION



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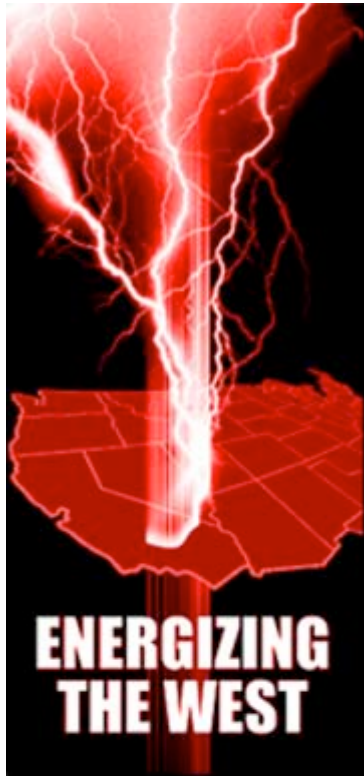
- Kern River ranked #2 in load factor of 28 major interstate pipelines (Source: Fosters Financial Reports)
- Kern River ranked #4 out of 41 interstate pipelines in 2007 MastioGale survey (Source: MastioGale)



DELIVERIES BY STATE ⁽¹⁾

Period	CA	NV	UT	WY	Total
May - Dec 2003	1,425,544	310,465	34,549	490	1,771,048
Jan - Dec 2004	1,415,695	354,956	62,487	34	1,833,172
Jan - Dec 2005	1,411,953	394,007	61,292	0	1,867,252
Jan - Dec 2006	1,537,505	460,043	72,624	535	2,070,707
Jan - May 2007	1,579,984	461,117	111,016	2,442	2,154,559
Change over period	10.83%	48.52%	221.33%	398.37%	21.65%

(1) Average scheduled quantities per day in decatherms



2010 EXPANSION PROJECT

- 200,000 to 500,000 Mcf/d
- Add loops around Las Vegas and Wasatch Front
- Incremental compression
- MAOP special permit
- Open season - Fall 2007
- In-service - Fall 2010

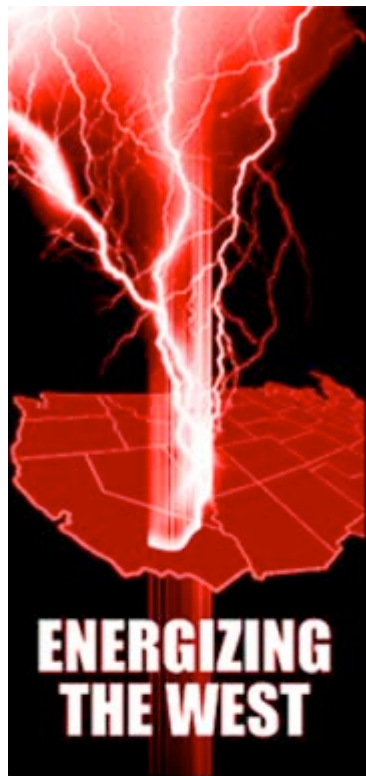
SYSTEM ACCESSIBILITY

- System design capacity is 1.76 Bcf/d
- Receipt point capacity is 5.45 Bcf/d
 - 3 x system design capacity
- Delivery point capacity is 7.33 Bcf/d
 - 4 x system design capacity

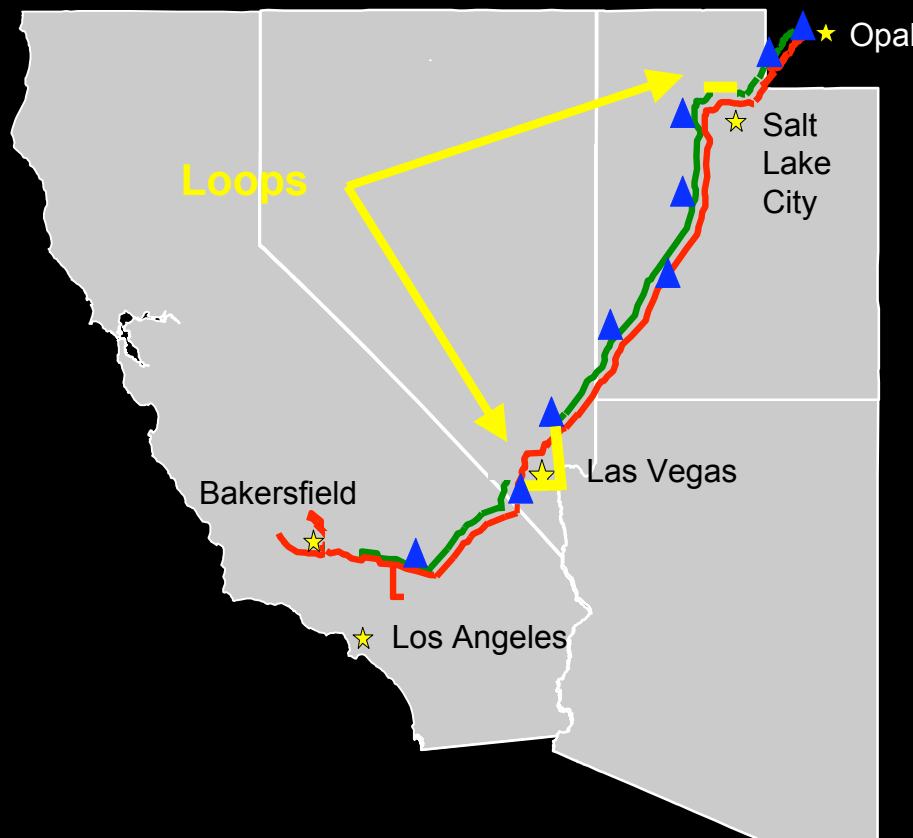


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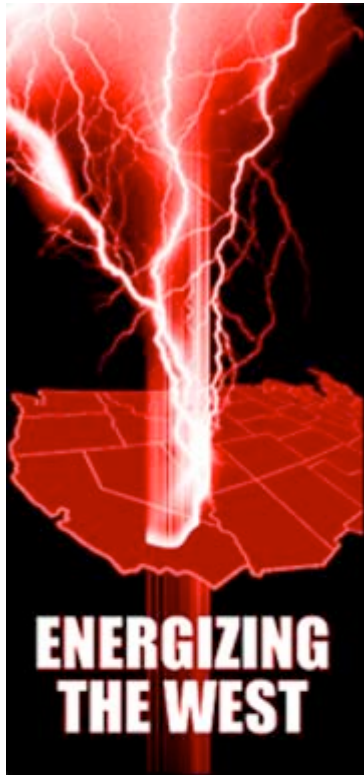
2010 EXPANSION PROJECT OVERVIEW



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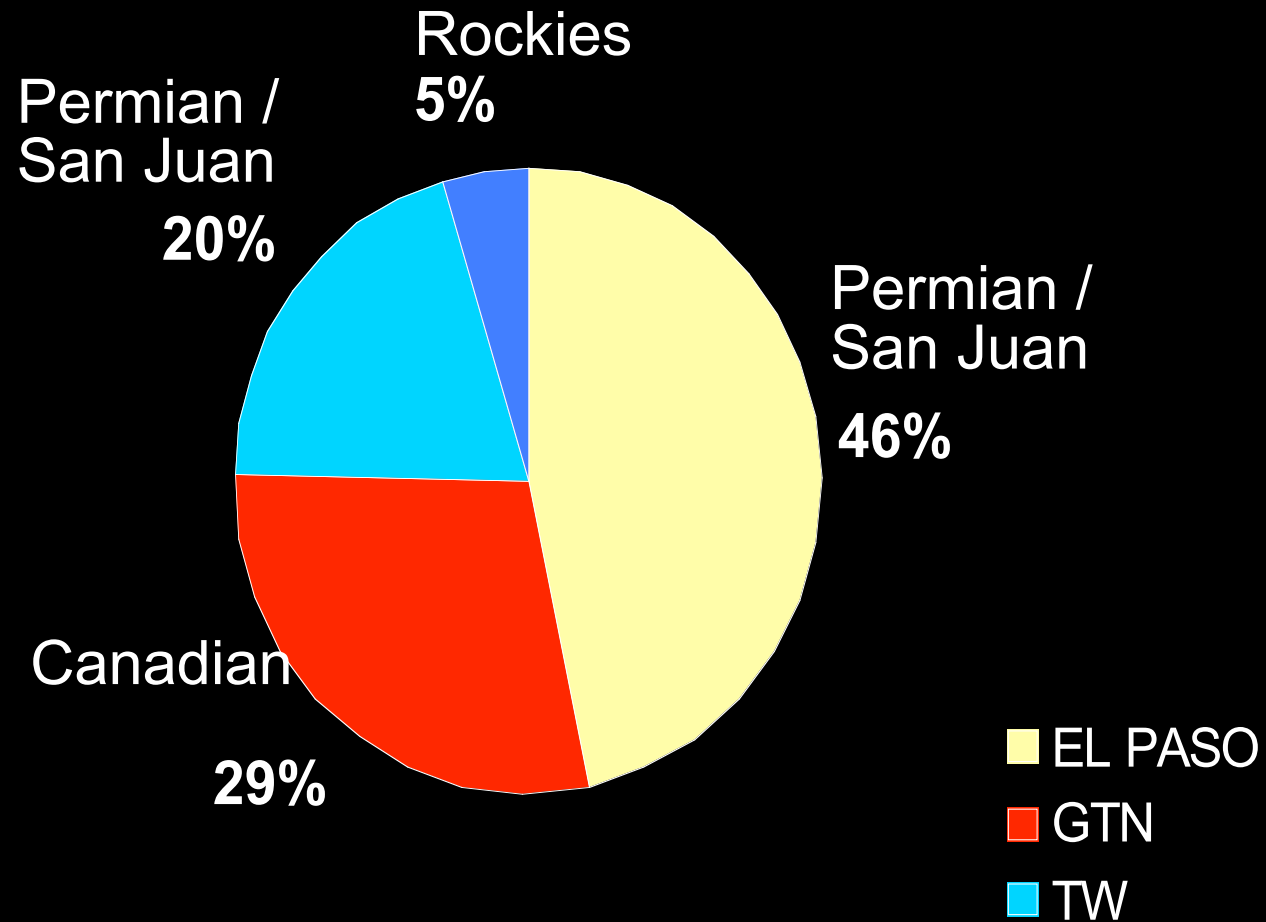
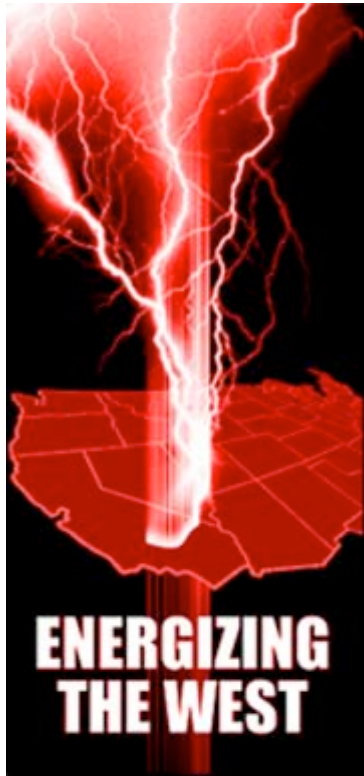
- **Economically expand between 200 and 500 MMcf/d**
- **Close the Las Vegas and Wasatch Front loops**
- **Incremental compression**
- **Requires long-term commitments**
- **Open Season – Fall 2007**
- **In-service – Fall 2010**



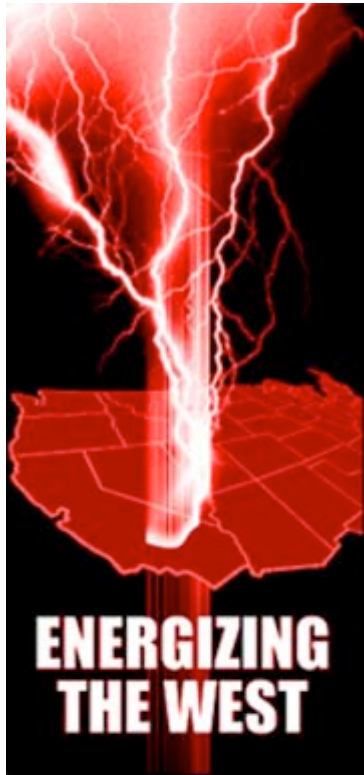
SIGNALS ARE STRONG

- Core market demand is growing in states served by Kern River – 360,000 Dth/d by 2010
- Markets seeking supply diversity
- 9,200 MW in development – 1.78 Bcf/d peak load
- Power plants lacking firm transportation capacity. 2,500 MW – .420 Bcf/d peak load
- Rocky Mountain production is projected to outpace export pipeline capacity
- Limited availability of LNG supply

CALIFORNIA UTILITIES' DISTRIBUTION OF INTERSTATE PIPELINE CAPACITY



PROPOSED POWER PLANTS IN CALIFORNIA



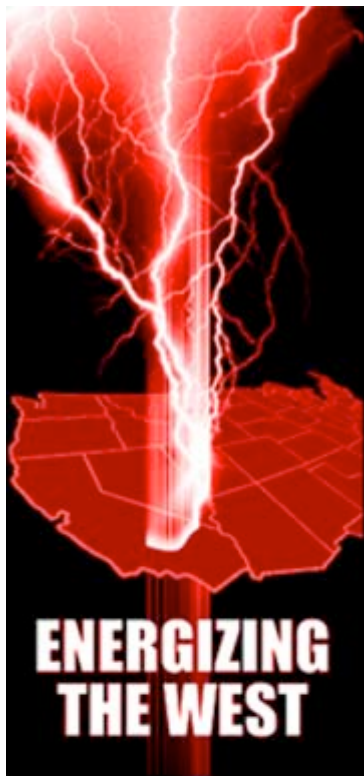
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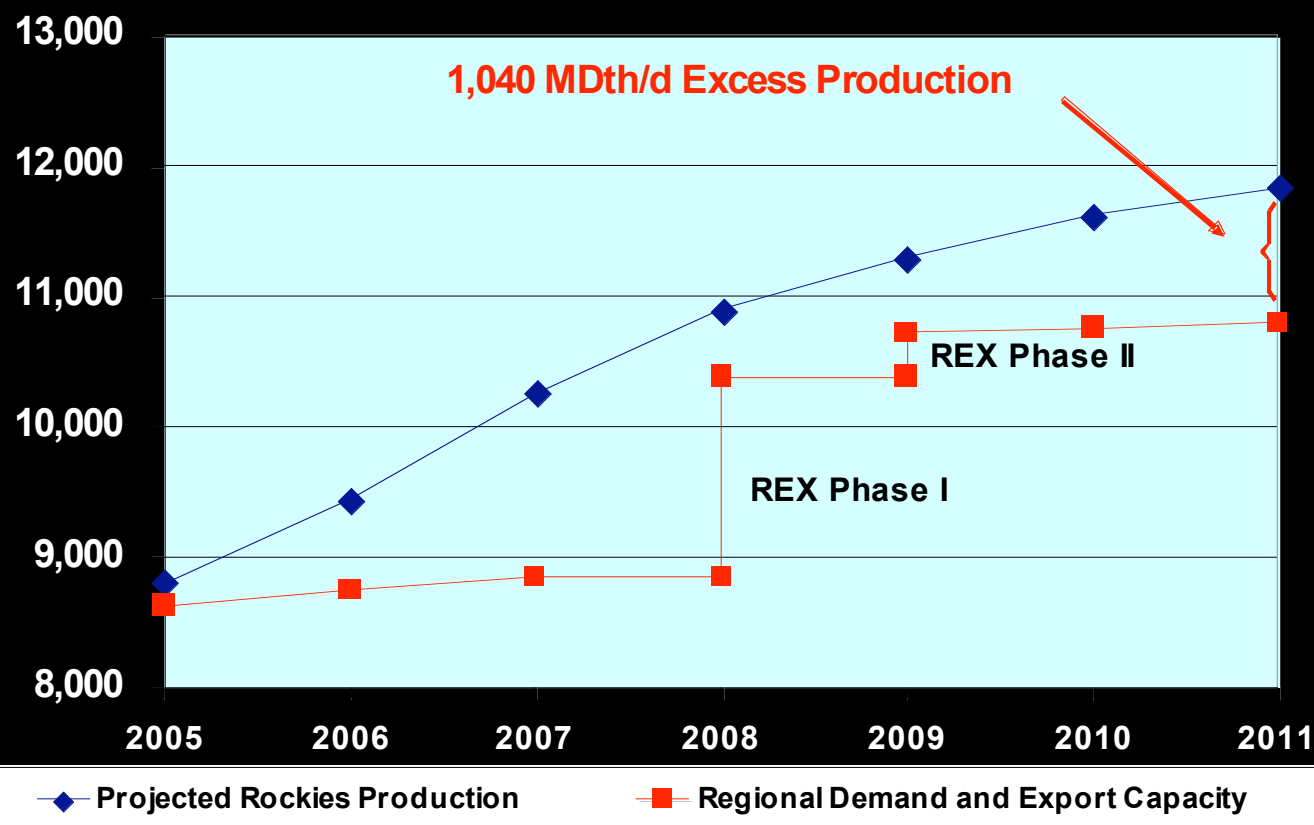
PROPOSED POWER PLANTS

- ▲ Announced
- ▲ Application Filed With CEC
- ▲ CEC Approved

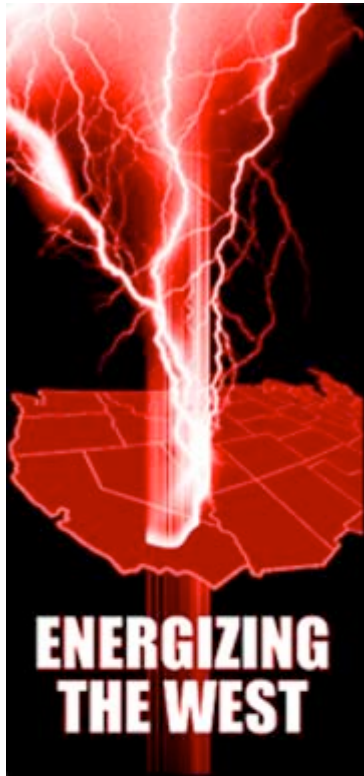
PROJECT	SPONSOR	MW
▲ 1 Palmdale	City of Palmdale	500
▲ 2 Walnut Creek	Edison Mission	500
▲ 3 Vernon Power	City of Vernon	943
▲ 4 Victorville Hybrid	City of Victorville	550
▲ 5 Grand Terrace	AES	300
▲ 6 Sun Valley	Edison Mission	
▲ 7 Avenal	Federal Power	
▲ 8 Inland Empire	G.E. & Calpine	
▲ 9 Panoche	EIF	
▲ 10 Colusa	E&L (PG&E)	660
▲ 11 Bullard	EIF (PG&E)	
▲ 12 Starwood	Starwood Power	
▲ 13 Hayward	Calpine / PG&E	



PRODUCTION WILL EXCEED REGIONAL DEMAND AND EXPORT CAPACITY



Source: Lippman Consulting, Inc., "Forecast Model," July 17, 2007; "Rocky Mountain Average Regional Demand 2006," April 2007; and "Rocky Mountain Region Export Capacity Report," May 2007.



MARKETING CAMPAIGN

- Rationalize 94,000 Dth/d of available capacity and any unwanted shipper capacity
- Solicit shipper support for 200-500 MMcf/d of incremental expansion capacity
- Seek agency support for utilities to enter into long-term contracts
- Finalize precedent agreements by mid-March 2008

Questions?

